

**The ARC Baton Rouge
Baton Rouge, Louisiana
June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1 / 18 / 06

Table of Contents

Independent Auditor's Report	Page 3
Financial Statements	
Statements of Financial Position	Page 5
Statements of Activities	Page 6
Statements of Functional Expenses	Page 7
Statements of Cash Flows	Page 9
Notes to Financial Statements	Page 10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	Page 18
Schedule of Findings and Questioned Costs	Page 19
Summary of Current Year Findings	Page 20
Summary of Prior Year Findings	Page 21

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923 3000 • FAX (225) 923 3008

November 3, 2005

Independent Auditor's Report

The Officers and Board of Directors
The ARC Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of

**The ARC Baton Rouge
(A Non-Profit Organization)
Baton Rouge, Louisiana**

as of June 30, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC Baton Rouge as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2005 on our consideration of The ARC Baton Rouge's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Yours truly,

Hawthorn, Weymouth & Carroll L.L.P.

The ARC Baton Rouge
Statements of Financial Position
June 30, 2005 and 2004

A s s e t s

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents		
Unrestricted	<u>\$415,771</u>	<u>\$111,412</u>
Receivables		
Accounts receivable		
Trade	72,340	51,684
State contracts	497,378	283,745
Federal contracts	4,343	35,134
Notes receivable, current portion	<u>2,431</u>	<u>2,234</u>
	<u>576,492</u>	<u>372,797</u>
Inventory	<u>13,586</u>	<u>14,722</u>
Property, plant and equipment, net	<u>1,301,990</u>	<u>1,387,226</u>
Investments		
Certificates of deposit	64,846	65,508
Equity investments	<u>11,482</u>	<u>9,780</u>
	<u>76,328</u>	<u>75,288</u>
Notes receivable, net of current portion	<u>38,321</u>	<u>40,736</u>
Deposits	<u>25,041</u>	<u>19,646</u>
<u>Total assets</u>	<u>2,447,529</u>	<u>2,021,827</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets

	<u>2005</u>	<u>2004</u>
Liabilities		
Notes payable - line of credit	\$148,141	\$198,121
Accounts payable	122,223	40,258
Accrued payroll	200,628	153,854
Note payable - vehicle	18,089	29,254
Capital lease	10,180	22,014
Accrued pension cost	<u>241,612</u>	<u>276,543</u>
<u>Total liabilities</u>	<u>740,873</u>	<u>720,044</u>
Net Assets		
Unrestricted	1,706,656	1,301,783
<u>Total net assets</u>	<u>1,706,656</u>	<u>1,301,783</u>
 <u>Total liabilities and net assets</u>	 <u>2,447,529</u>	 <u>2,021,827</u>

The ARC Baton Rouge
Statements of Activities
Years Ended June 30, 2005 and June 30, 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets		
Unrestricted revenue and gains		
State contracts	\$4,680,843	\$4,379,558
Federal awards	392,117	446,825
Program sales and service fees	638,560	586,010
Capital Area United Way	279,357	301,421
Contributions	95,418	72,427
Investment return	9,484	13,046
Other	<u>52,113</u>	<u>38,180</u>
<u>Total unrestricted revenue and gains</u>	<u>6,147,892</u>	<u>5,837,467</u>
Expenses		
Program services		
Metro Enterprises - Business	458,954	472,889
Metro Enterprises - Rehabilitation	755,049	922,829
Early Intervention Programs	841,410	1,035,723
Respite Care Programs	1,537,941	1,706,463
Vocation Services - Job Placement	443,785	506,808
Louisiana Career Development Center	192,431	200,695
Other	<u>1,049,156</u>	<u>1,037,215</u>
	5,278,726	5,822,622
Supporting services		
Management, general and other expenses	<u>464,293</u>	<u>435,327</u>
<u>Total expenses</u>	<u>5,743,019</u>	<u>6,317,949</u>
 Increase (Decrease) in Net Assets	 404,873	 (480,482)
Net Assets, beginning of year	<u>1,301,783</u>	<u>1,782,265</u>
Net Assets, end of year	<u>1,706,656</u>	<u>1,301,783</u>

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2005

	Metro Enterprises Business	Metro Enterprises Rehabilitation	Early Intervention Programs	Respite Care Programs	Vocational Services Placement	Louisiana Career Development Center	All Other Programs	Total Program Services	Management, General and Other	2005 Totals
Compensation & related benefits										
Salaries	\$282,846	\$508,566	\$592,619	\$1,140,669	\$510,071	\$138,261	\$699,498	\$3,672,530	\$252,736	\$3,925,266
Payroll taxes and insurance	50,970	45,820	54,233	190,378	27,980	12,006	65,383	446,770	21,147	467,917
Employee health	5,447	64,901	49,029	110,723	26,038	14,804	71,383	342,325		342,325
Retirement and life plans	1,289	20,142	20,231	8,996	10,368	5,121	7,076	73,223	11,092	84,315
	340,552	639,429	716,112	1,450,766	374,457	170,192	843,340	4,534,848	284,975	4,819,823
Contractual service	62,049	228						62,277		62,277
Professional services		275	39,803	67			33	40,178	23,078	63,256
Supplies	3,572	2,442	11,094	8,260	3,359	799	3,877	33,403	5,423	38,826
Utilities	14,861	32,362	19,655	13,957	15,256	10,044	4,587	110,722	14,146	124,868
Maintenance & equipment rental	5,799	8,646	14,527	7,007	3,894	2,226	2,153	44,252	9,449	53,701
Membership dues	131	33	382	131	370	80	33	1,160	23,347	24,507
Travel, conferences & meetings	66	24,653						24,719		24,719
Office expenses	193	152	1,757	934	375	76	1,191	4,678	10,737	15,415
General insurance			424					424	59,468	59,892
Vehicle expenses	6,873	7,015		4,769				18,657		18,657
Program transportation	531	2,396	25,755	35,488	19,021	3,297	20,574	107,062	10,799	117,861
Interest expense		281						281		281
Other expenses	1,284	5,341	4,510	4,488	1,840	433	17,635	35,531	13,555	49,185
Assistance to individuals			82	15	45		155,733	155,875	250	156,125
Depreciation	23,043	31,796	7,309	12,059	25,168	5,284		104,659		104,659
Totals	458,954	755,049	841,410	1,537,941	443,785	192,431	1,049,156	5,278,726	464,293	5,743,019

The accompanying notes are an integral part of these statements.

Association for Retarded Citizens - Baton Rouge
Statement of Functional Expenses
Year Ended June 30, 2004

	Metro Enterprises Business	Metro Enterprises Rehabilitation	Early Intervention Programs	Respite Care Programs	Vocational Services Placement	Louisiana Career Development Center	All Other Programs	Total Program Services	Management, General and Other	2004 Totals
Compensation & related benefits										
Salaries	\$291,010	\$581,434	\$697,710	\$1,189,584	\$318,673	\$132,120	\$652,029	\$3,862,560	\$190,938	\$4,053,498
Payroll taxes and insurance	43,077	54,488	65,368	168,584	29,322	11,918	64,308	437,065	15,476	452,541
Employee health	10,960	105,463	78,190	181,073	43,987	18,087	106,492	544,252	5,105	549,357
Retirement and life plans	5,915	59,913	58,063	68,255	33,703	12,702	29,427	267,978	32,101	300,079
	<u>350,962</u>	<u>801,298</u>	<u>899,331</u>	<u>1,607,496</u>	<u>425,685</u>	<u>174,827</u>	<u>852,256</u>	<u>5,111,855</u>	<u>243,620</u>	<u>5,355,475</u>
Contractual service	53,466							53,466		53,466
Professional services			44,698				364	45,062	17,461	62,523
Supplies	4,098	4,585	16,314	10,678	2,292	1,052	825	39,844	6,808	46,652
Utilities	13,967	31,371	18,764	15,559	20,529	10,994	1,240	112,424	13,023	125,447
Maintenance & equipment rental	6,462	10,811	15,564	8,960	3,800	3,521	232	49,350	8,009	57,359
Membership dues	131	33		171	222	65	33	655	19,240	19,895
Travel, conferences & meetings		18,058						18,058		18,058
Office expenses	236	145	1,411	793	911	148	1,319	4,963	8,969	13,932
General insurance	264							264	67,256	67,520
Vehicle expenses	11,410	4,834		5,206				21,450	143	21,593
Program transportation	1,742	3,132	27,625	37,365	23,394	3,506	23,196	119,960	23,024	142,984
Interest expense		6,605						6,605	18,144	24,749
Other expenses	2,942	3,813	5,544	3,492	1,837	351	1,383	19,362	9,630	28,992
Assistance to individuals				6	20		156,367	156,393		156,393
Depreciation	27,209	38,144	6,472	16,737	28,118	6,231		122,911		122,911
Totals	<u>472,889</u>	<u>922,829</u>	<u>1,035,723</u>	<u>1,706,463</u>	<u>506,808</u>	<u>200,695</u>	<u>1,037,215</u>	<u>5,882,622</u>	<u>435,327</u>	<u>6,317,949</u>

The accompanying notes are an integral part of these statements.

**The ARC Baton Rouge
Statements of Cash Flows
Years Ended June 30, 2005 and June 30, 2004**

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Increase (Decrease) in net assets	\$404,873	(\$480,482)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	104,659	122,911
Changes in operating assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(203,498)	29,770
Inventory	1,136	(6,449)
Prepaid expenses	(5,395)	(19,646)
Market value of investments	(1,702)	(2,646)
Increase (decrease) in:		
Accounts payable	81,965	9,426
Accrued payroll	46,774	(8,666)
Accrued pension cost	(34,931)	134,700
<u>Net cash provided(used) by operating</u>	<u>393,881</u>	<u>(221,082)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment, net	(19,423)	(30,612)
Maturity of investments	662	103,613
Collections on notes receivable	<u>2,218</u>	<u>2,032</u>
<u>Net cash provided (used) by investing</u>	<u>(16,543)</u>	<u>75,033</u>
Cash Flows From Financing Activities		
Proceeds on notes payable - vehicle		21,600
Payments on notes payable - vehicle	(11,165)	(7,945)
Capital lease	(11,834)	(10,106)
Payments on notes payable - line of credit	<u>(49,980)</u>	<u>(100,977)</u>
<u>Net cash provided (used) by financing activities</u>	<u>(72,979)</u>	<u>(97,428)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	304,359	(243,477)
Cash and Cash Equivalents, beginning of year	<u>111,412</u>	<u>354,889</u>
Cash and Cash Equivalents, end of year	<u><u>415,771</u></u>	<u><u>111,412</u></u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	<u>\$13,836</u>	<u>\$24,749</u>

The accompanying notes are an integral part of these statements.

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 1-Nature of Organization

The ARC Baton Rouge (Association) formally known as The ARC - Baton Rouge is a not-for-profit organization which promotes, develops, monitors, supports and directly provides services to improve the well being of people with disabilities and their families from East Baton Rouge and surrounding parishes. Major programs include Infant Habitation Services to assist families with children through three years of age who have or who are at risk of developmental disabilities, providing support/training/services that are needed to achieve self-identified employment and habilitative outcomes for adults with developmental disabilities, and to provide special instruction, speech therapy, occupational therapy, physical therapy, nursing services, travel and transportation, related material and supplies, family counseling and home visits and Child Specific Property for Infants and Toddlers with Special Needs, for whom insurance, Medicaid and OCDD funds are not available. Funding to provide these services and programs comes from the Capital Area United Way Agency and various federal and state contracts and grants.

Note 2-Significant Accounting Policies

A. Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid investments with maturities of three months or less for the purpose of statement of financial position presentation. At various times during the year cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the financial institution on a regular basis, along with their balances in cash and cash equivalents to minimize this potential risk.

B. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position.

C. Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Association reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 2-Significant Accounting Policies (Continued)

C. Support and Expenses (Continued)

must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

D. Uncollectible Receivables

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

E. Concentration of Credit Risk

Credit receivables have significant concentrations of credit risk in the governmental sector in the Baton Rouge, Louisiana area. At June 30, 2005 and 2004, the portion of these receivables related to this sector was approximately 87% and 86% respectively.

F. Inventory

Inventory is stated at the lower of cost or market using the first-in, first-out method.

G. Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for center operations are recorded as additions to net assets at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Useful lives range from 5 to 29 years.

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

H. Retirement Plan

The retirement plan is a defined benefit plan which covers substantially all full-time employees.

I. Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 2-Significant Accounting Policies (Continued)

J. Grant Contracts

The Association depends significantly on grant contract reimbursements to carry out its program activities. This revenue is disclosed as program revenue on the statements of activities..

Grant revenue is recorded as related expenses are incurred, and reimbursement requests are submitted to the grantor agency.

K. Functional Expenses

The Association allocates functional expenses primarily by specific identification of program expenses which include salaries of personnel assigned to specific programs. However, certain administrative salaries and related expenses and other general expenses are allocated using percentages which are adjusted annually. These percentages coincide with grant agreements and budgets.

L. Financial Statement Presentation

The Association has adopted Statement of Financial Accounting Standards ("SFAS") NO. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. Unrestricted net assets include those net assets whose use by The Association is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those new assets whose use by The Association has been limited by donors to (a) later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting The Association's use of the asset. The Association does not have any permanently or temporarily restricted net assets.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform with the current year's financial statement presentation.

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 3-Investments

Investments in certificates of deposits are stated at cost and other investments are stated at market value as quoted by national publications. At June 30, 2005 and 2004 investments are as follows:

	<u>2005</u>	<u>2004</u>
<u>Unrestricted</u>		
Investments in certificates of deposit with maturities from one to two years and interest rates from 4.0% to 4.8%.	<u>\$64,846</u>	<u>\$65,508</u>
Equity investments - corporate stock	<u>11,482</u>	<u>9,780</u>

Investment income from cash equivalents and investments is comprised of the following for the year ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
Dividends and interest	\$9,484	\$13,046
Net unrealized gains (loss)	_____	_____
<u>Total</u>	<u>9,484</u>	<u>13,046</u>

Note 4-Note Receivable

The Association sold facilities on Wayne Drive for \$57,000 in 1995 and financed the sale. Terms are monthly installments of \$500, and include 9% interest per annum maturing January, 2016. Maturities of note receivable for the five years following June 30, 2005 are as follows:

2006	\$2,431
2007	2,660
2008	2,909
2009	3,182
2010	3,480
Thereafter	<u>26,090</u>
	<u>40,752</u>

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 5-Property and Equipment

A summary of property and equipment at June 30, 2005 and 2004, is as follows:

	<u>2005</u>	<u>2004</u>
Buildings and improvements	\$2,174,627	\$2,167,627
Furniture and equipment	586,184	577,260
Vehicles	<u>152,729</u>	<u>149,229</u>
	2,913,540	2,894,116
Less depreciation to date	<u>1,931,547</u>	<u>1,826,887</u>
	981,993	1,067,229
Land	<u>319,997</u>	<u>319,997</u>
<u>Property and equipment, net</u>	<u>1,301,990</u>	<u>1,387,226</u>

Note 6-Line of Credit Agreement

The Association has entered into a standby line of credit agreement with a financial institution for \$200,000. The amount due on the line of credit at June 30, 2005 and 2004 was \$148,142 and \$198,121, respectively, and is classified as notes payable - line of credit, on the statements of financial position. The interest rate at June 30, 2005 was 6.00%. The obligation is secured by the building on Kelwood Avenue and is payable on demand.

Note 7-Note and Capital Lease Payable

The Association obtained a vehicle loan in April of 2002 for \$19,927 with monthly payments of \$397 for 5 years at an annual interest rate of 7.25%. The balance at June 30, 2005 and 2004 was \$7,807 and \$11,844. The vehicle is collateral for this loan.

The Association financed three vehicles in September of 2003 for \$21,600 with monthly payments of \$681 for 3 years at an annual interest rate of 8.10%. The balance at June 30, 2005 and 2004 was \$10,282 and \$17,410. The three vehicles are collateral for this loan.

Future maturities of these notes are as follows:

2006	\$11,855
2007	<u>6,234</u>
	<u>18,089</u>

The Association entered into a capital lease agreement for the purchase of major air conditioning equipment in May, 2003. The terms are monthly payments of \$1,208 for 33 months at an implied interest rate of 15.89%. Future minimum lease payments are as follows:

	<u>2006</u>
Payments	10,865
Amount representing interest	<u>685</u>
Present value of lease payments	<u>10,180</u>

The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005

Note 7 Note and Capital Lease (Continued)

The assets recorded as capital lease are disclosed as property, plant and equipment for \$35,651, in 2005 and 2004. The accumulated amortization is included in accumulated depreciation and is \$10,619 and \$5,526 on June 30, 2005 and 2004 respectively. The amortization of the capital lease is included in depreciation expense.

Note 8-Pension Plan

The Association has a pension plan which covers substantially all of its employees who meet eligibility requirements. Benefits under the plan are generally based on the employee's compensation during the highest five consecutive calendar years' salary during the last ten completed calendar years of service before retirement. The pension plan is funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

Pension expense for the years ended June 30, 2005 and 2004 was \$95,133 and \$300,080, respectfully.

The following sets forth the plan's funding status and the amounts recognized in the Company's statement of financial position at June 30, 2005 and 2004 as prepared by Mutual of America.

	<u>2005</u>	<u>2004</u>
Funded Status		
Benefit obligation at June 30	\$3,143,663	\$3,230,448
Fair value of plan assets at June 30	<u>2,710,224</u>	<u>2,466,443</u>
<u>Funded status (deficit)</u>	<u>(433,439)</u>	<u>(764,005)</u>
Prepaid (accrued) benefit cost recognized in the Statement of Financial Position	(\$241,612)	(\$276,543)
Change in benefit obligation due to plan amendments	(\$739,641)	(\$147,106)
Change due to assumption changes	\$336,154	(\$78,396)
Assumptions as of June 30		
Discount rate	5.75%	6.50%
Expected long-term rate of return on plan assets	8.00%	8.00%
Rate of compensation increase per year	5.00%	5.00%
Other Data		
Benefit cost	\$95,133	\$300,080
Employer contribution	\$130,064	\$166,007
Employee contribution	None	None
Benefits paid	\$48,535	\$139,922

**The ARC Baton Rouge
Notes to Financial Statements
June 30, 2005**

Expected Future Benefit Payments

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

<u>Fiscal Year Beginning</u>	<u>06/30/2004 Disclosure</u>
7/1/2005	\$ 46,000
7/1/2006	\$ 7,000
7/1/2007	\$ 122,000
7/1/2008	\$ 0
7/1/2009	\$ 49,000
7/1/2010-2014	\$ 1,479,000

Plan Assets by Category

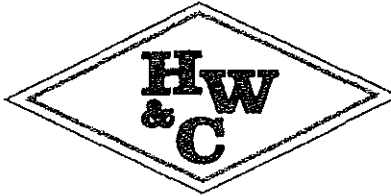
	<u>As of June 30, 2005</u>		<u>As of June 30, 2004</u>	
	<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Equity	\$1,060,502.89	39.13	\$986,749.96	40.01
Fixed Income	1,616,121.32	59.63	1,447,070.35	58.67
General Account	33,599.95	1.24	32,622.64	1.32
Total	\$2,710,224.16	100.00	\$2,466,442.95	100.00

Expected Long-Term Rate of Return on Plan Assets Assumption

The Expected Long-Term Rate of Return on Plan Assets assumption of 8.0% was selected using the "building block" approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection Economic Assumptions for Measuring Pension Obligations. Based on The ARC Baton Rouge's investment policy for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net inflation) and for inflation based on historical 30 year period rolling averages. An average inflation rate within the range equal to 4.0% was selected and added to the real rate of return range to arrive at a best estimate range of 7.12-9.22%. A rate within the best estimate range of 8.0% was selected.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200
BATON ROUGE, LOUISIANA 70809
(225) 923-3000 • FAX (225) 923-3008

November 3, 2005

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

Board of Directors
The ARC - Baton Rouge
Baton Rouge, Louisiana

Members of the Board:

We have audited the financial statements of the

**The ARC Baton Rouge
(A Non-Profit Organization)
Baton Rouge, Louisiana**

as of and for the year ended June 30, 2005, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The ARC Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies, pass-through entities, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth, & Carroll L.L.P.

**The ARC Baton Rouge
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Summary of Auditor's Results

- A. The auditor's report expresses an unqualified opinion on the financial statements of The ARC Baton Rouge.
- B. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.
- C. No instances of compliance material to the financial statements of The ARC Baton Rouge, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No management letter was issued.

**The ARC Baton Rouge
Summary of Current Year Findings
Year Ended June 30, 2005**

Findings-Financial Statement Audit

None

**The ARC Baton Rouge
Summary of Prior Year Findings
Year Ended June 30, 2004**

Findings-Financial Statement Audit

2004-1 Audit Report

Condition

The audit report is to be submitted no more than six months after the end of the fiscal year. The report has been delayed due to the unexpected scheduling conflicts with the auditing firm.

Recommendation

Planning and preparations should be made to anticipate circumstances which would delay reports beyond the required filing date and plan accordingly.

Management's Response

Management agrees with the recommendation.

Corrective Action

Proper planning and scheduling will be implemented and monitored to insure the June 30, 2005 audit report will be filed timely.

This has been implemented.